

MAKING A MOVE

For Grindrod CEO Alan Olivier the benefits of diversification and increased service with Africa are providing the right returns

BY
KERRY
DIMMER

The key to business success includes consistency, consolidation and durability. These are traits that Grindrod appears to have in abundance, given its more than 100-year history. Sure it weathered financial storms like the devastating Asian crisis in the late 1990s, which led to the company reporting a loss of R66 million in 1999, but it grasped the lesson quickly.

A decade later when the far worse and unanticipated financial crisis almost crippled the international shipping market, the group was not only prepared, but focused.

Diversification has played an integral role in Grindrod's success. A large part of its business is no longer confined to SA as the company has expanded into Africa, particularly the southern region. It also has a global presence as an integrated logistics service provider.

Grindrod's four divisions – freight, trading, shipping and financial services – are structured to be self-sufficient, yet are integrated to provide supply chain solutions, all under the helm of CEO Alan Olivier.

Olivier says Grindrod's growth in recent years is highlighted by the reach of its freight service arm, 'particularly the growth in ports, terminals and rail operations. We've been investing in this for the past decade and are now starting to grow into the capacity we've added'.

Compared to the previous six months, freight services has shown a 75% growth in the first half of the year. 'Logistics, although starting off a low base, is beginning to develop nicely and our banking sector has also experienced good growth.'

Olivier says Grindrod's success is driven by events outside its home borders with regard to transportation and supporting infrastructure, although this is not exclusively so.

Its future plans, for example, include a joint venture with RBT Resources in Richards Bay to expand the capacity of the Grindrod Navidtrade coal terminal.

He says the company has also been working with its empowerment partner, Oiltanking Grindrod Calulo, to create an oil tank terminal at Coega. More recently they concluded an agreement with these partners as well as Mining Oil & Gas Services to develop a crude oil storage and blending terminal in Saldanha Bay.

'Furthermore we've been building quite a nice rail business and now have the capability to produce 100 mainline locomotives a year. We continue to develop our rail offering into a much bigger operation.' Olivier credits Transnet's expansion into Southern Africa providing rail capacity to support the region.

'Transnet is in a position to deliver support, as we have experienced with the development of the Maputo Corridor, which is critical to Grindrod's



'I ACCEPT THERE MAY BE RISKS WHEN EXPANDING INTO AFRICA, BUT GENERALLY IF YOU ARE ABLE TO PERFORM, THE REWARDS ARE GOOD'

ILLUSTRATION I STOCKPHOTO

development of the Mozambican port, of which we have a 25% shareholding.

'The long-term plan is to take Maputo Port from last year's delivery of 15 million tons to 50 million tons by 2020. We're also committed, through our involvement in the Zimbabwean rail concession, to grow volumes on the north/south corridor.'

Grindrod does not have a 'wait-and-see' attitude when it comes to its expansion into Africa. 'We're there already because we can see the traffic and demand for the movement of goods,' says Olivier.

'We know the cost of transportation is high because the vast majority of containerised commodities are moved by road, which is actually the most inefficient method. They should, as far as possible, be transported via rail so we are motivating the rehabilitation of the rail networks throughout the region, which in turn improves our competitiveness in the market.'

'When you look at investing in infrastructure in Africa, there are many private equity funds focused on winning concessions. It may be that they are well placed in terms of funds, but less so when it comes to execution combined with the right operating experience and a proven track record. The same is true when it comes to choosing partners and contractors, you have to ensure they are credible and of course to manage your risk accordingly.'

'I accept there may be risks when expanding into Africa, but generally if you are able to perform, the rewards are good with the right level of returns.' Level of returns is something Olivier can relate to, given his uninterrupted 27-year tenure with Grindrod. With BComm, BCompt Honours and CA(SA) qualifications, he managed various divisions before officially being appointed CEO of the group in January 2007.

He remains excited and motivated. 'Opportunities are self-motivating, and from where I sit, be that from a balance sheet perspective or otherwise, a good and efficient base in terms of enabling group service support requires a good executive team that works together to deliver.' **JSE**